

WC 05-303

SWIDLER BERLIN LLP

Please Date Stamp & Return

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VIA COURIER

October 20, 2005

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
Wireline Competition Bureau
P.O. Box 358145
Pittsburgh, PA 15251-5145

OCT 20 2005
FCC/BERLIN

Re: In the Matter of McLeodUSA Telecommunications Services, Inc., Debtor-in-Possession, Transferor, and McLeodUSA Telecommunications Services, Inc., Transferee, Application For Authority Pursuant to Section 214 of the Communications Act of 1934, as Amended, for the Transfer of Control of Authorized International and Domestic Communications Common Carrier

Dear Ms. Dortch:

On behalf of McLeodUSA Telecommunications Services, Inc., Debtor-in-Possession ("McLeodUSA-DIP") and McLeodUSA Telecommunications Services, Inc. ("McLeodUSA," together with McLeodUSA-DIP, "Applicants"), enclosed for filing is an application for Commission approval for a transfer control. Pursuant to Section 63.04(b) of the Commission's rules, Applicants submit this filing as a combined domestic section 214 transfer application and international section 214 transfer application ("Combined Application"). Applicants are simultaneously filing the Combined Application with the International Bureau, in accordance with the Commission's Rules, via its Electronic Filing System ("MyIBFS").

Applicants also submit a completed Fee Remittance Form 159 and check in the amount of \$895.00, to the Federal Communications Commission, which satisfies the filing fee required for this Application under line 2.b of Section 1.1105 of the Commission's rules.

Please do not hesitate to contact us if you have any questions regarding this filing.

Respectfully submitted,

Brian McDermott

Jean L. Kiddoo
Brian McDermott

cc: Terri Natoli (WCB)
Tracey Wilson (WCB)

READ INSTRUCTIONS CAREFULLY
BEFORE PROCEEDING

FEDERAL COMMUNICATIONS COMMISSION
REMITTANCE ADVICE

Approved by OMB
3060-0589
Page 1 of 2

(1) LOCKBOX # 358145		SPECIAL USE ONLY FCC USE ONLY	
SECTION A - PAYER INFORMATION			
(2) PAYER NAME (if paying by credit card enter name exactly as it appears on the card) Swidler Berlin, LLP		(3) TOTAL AMOUNT PAID (U.S. Dollars and cents) \$895.00	
(4) STREET ADDRESS LINE NO. 1 3000 K Street, N.W.			
(5) STREET ADDRESS LINE NO. 2 Suite 300			
(6) CITY Washington		(7) STATE DC	(8) ZIP CODE 20007
(9) DAYTIME TELEPHONE NUMBER (include area code) (202) 424-7500		(10) COUNTRY CODE (if not in U.S.A.)	
FCC REGISTRATION NUMBER (FRN) REQUIRED			
(11) PAYER (FRN) 0004-3539-00		(12) FCC USE ONLY	
IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C) COMPLETE SECTION BELOW FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET			
(13) APPLICANT NAME McLeodUSA Telecommunications Services, Inc.			
(14) STREET ADDRESS LINE NO. 1 McLeodUSA Technology Park			
(15) STREET ADDRESS LINE NO. 2 6400 C Street, SW			
(16) CITY Cedar Rapids		(17) STATE Iowa	(18) ZIP CODE 52406-3177
(19) DAYTIME TELEPHONE NUMBER (include area code) (800) 593-1177		(20) COUNTRY CODE (if not in U.S.A.)	
FCC REGISTRATION NUMBER (FRN) REQUIRED			
(21) APPLICANT (FRN) 0003-7160-73		(22) FCC USE ONLY	
COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET			
(23A) CALL SIGN/OTHER ID	(24A) PAYMENT TYPE CODE CUT	(25A) QUANTITY 1	
(26A) FEE DUE FOR (PTC) \$895.00	(27A) TOTAL FEE \$895.00	FCC USE ONLY	
(28A) FCC CODE 1		(29A) FCC CODE 2	
(23B) CALL SIGN/OTHER ID	(24B) PAYMENT TYPE CODE	(25B) QUANTITY	
(26B) FEE DUE FOR (PTC)	(27B) TOTAL FEE	FCC USE ONLY	
(28B) FCC CODE 1		(29B) FCC CODE 2	
SECTION D - CERTIFICATION			
CERTIFICATION STATEMENT I, <u>M. Renee Britt</u> , certify under penalty of perjury that the foregoing and supporting information is true and correct to the best of my knowledge, information and belief.			
SIGNATURE <u>M. Renee Britt</u>		DATE <u>10/20/2005</u>	
SECTION E - CREDIT CARD PAYMENT INFORMATION			
MASTERCARD _____ VISA _____ AMEX _____ DISCOVER _____			
ACCOUNT NUMBER _____		EXPIRATION DATE _____	
I hereby authorize the FCC to charge my credit card for the service(s) authorization herein described.			
SIGNATURE _____		DATE _____	

SEE PUBLIC BURDEN ON REVERSE

FCC FORM 159

FEBRUARY 2003 (REVISED)

FEDERAL COMMUNICATIONS COMMISSION
REMITTANCE ADVICE (CONTINUATION SHEET)
Page No 2 of 2

SPECIAL USE

USE THIS SECTION ONLY FOR EACH ADDITIONAL APPLICANT
SECTION BB - ADDITIONAL APPLICANT INFORMATION

(13) APPLICANT NAME McLeodUSA Telecommunications Services, Inc. (Debtor-in-Possession)		
(14) STREET ADDRESS LINE NO. 1 McLeodUSA Technology Park		
(15) STREET ADDRESS LINE NO. 2 6400 C Street, SW		
(16) CITY Cedar Rapids,	(17) STATE Iowa	(18) ZIP CODE 52406-3177
(19) DAYTIME TELEPHONE NUMBER (include area code) (800) 593-1177		(20) COUNTRY CODE (if not in U.S.A.)

FCC REGISTRATION NUMBER (FRN) REQUIRED

(21) APPLICANT (FRN) 0014-1580-26	(22) FCC USE ONLY
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COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET

(23A) CALL SIGN/OTHER ID	(24A) PAYMENT TYPE CODE	(25A) QUANTITY
(26A) FEE DUE FOR (PTC)	(27A) TOTAL FEE	FCC USE ONLY
(28A) FCC CODE 1		(29A) FCC CODE 2
(23B) CALL SIGN/OTHER ID	(24B) PAYMENT TYPE CODE	(25B) QUANTITY
(26B) FEE DUE FOR (PTC)	(27B) TOTAL FEE	FCC USE ONLY
(28B) FCC CODE 1		(29B) FCC CODE 2
(23C) CALL SIGN/OTHER ID	(24C) PAYMENT TYPE CODE	(25C) QUANTITY
(26C) FEE DUE FOR (PTC)	(27C) TOTAL FEE	FCC USE ONLY
(28C) FCC CODE 1		(29C) FCC CODE 2
(23D) CALL SIGN/OTHER ID	(24D) PAYMENT TYPE CODE	(25D) QUANTITY
(26D) FEE DUE FOR (PTC)	(27D) TOTAL FEE	FCC USE ONLY
(28D) FCC CODE 1		(29D) FCC CODE 2
(23E) CALL SIGN/OTHER ID	(24E) PAYMENT TYPE CODE	(25E) QUANTITY
(26E) FEE DUE FOR (PTC)	(27E) TOTAL FEE	FCC USE ONLY
(28E) FCC CODE 1		(29E) FCC CODE 2
(23F) CALL SIGN/OTHER ID	(24F) PAYMENT TYPE CODE	(25F) QUANTITY
(26F) FEE DUE FOR (PTC)	(27F) TOTAL FEE	FCC USE ONLY
(28F) FCC CODE 1		(29F) FCC CODE 2

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)
)
)

McLeodUSA Telecommunications Services, Inc.,)
Debtor-in-Possession,)
Transferor)

and)

McLeodUSA Telecommunications Services, Inc.,)
Transferee)
)
)

Application For Authority Pursuant to Section)
214 of the Communications Act of 1934,)
as Amended, for the Transfer of Control of)
Authorized U.S. International and Domestic)
Communications Common Carriers)

File No. ITC-T/C-2005 _____

WC Docket No. 05 _____

APPLICATION

A. Summary of Restructuring

McLeodUSA Telecommunications Services, Inc., Debtor-in-Possession ("McLeodUSA-DIP") and McLeodUSA Telecommunications Services, Inc. ("McLeodUSA," together with McLeodUSA-DIP, "Applicants"), through their undersigned counsel and pursuant to Section 214 of the Communications Act, as amended, 47 U.S.C.A. § 214, and Sections 63.04 and 63.24(e) of the Commission's rules, 47 C.F.R. §§ 63.04 & 63.24(e), hereby provide notice of the planned *pro forma* transfer of McLeodUSA to McLeodUSA-DIP¹ in connection with a planned consensual

¹ As part of the Restructuring, Parent and its wholly owned subsidiaries will each act as a debtor-in-possession ("DIP") in the Chapter 11 proceeding and a DIP credit facility in the amount of \$50 million will be issued for working capital and general corporate purposes in

(i.e. "pre-packaged") Chapter 11 financial restructuring ("Restructuring") that will change the capital structure of McLeodUSA's ultimate parent company, McLeodUSA Incorporated ("Parent", together with McLeodUSA, "Parties"). In addition, Applicants respectfully request that the Commission grant authority, to the extent it deems required, for the Restructuring required in connection with the emergence of McLeodUSA-DIP from bankruptcy and the associated conversion of McLeodUSA-DIP back to McLeodUSA which is currently anticipated to take place by November 28, 2005.

The Restructuring that will transfer McLeodUSA-DIP to McLeodUSA will be a purely financial Restructuring, in which certain secured creditors will become the shareholders of Parent and existing equity in Parent will be extinguished. The Restructuring will enable McLeodUSA's current operations to continue without interruption or any changes to the rates, terms and conditions of the services that its customers currently receive.

The financial Restructuring is part of a plan of reorganization (the "Plan") that has been agreed upon by Parent and a majority of its secured creditors. Parent is currently soliciting creditor votes on the Plan consistent with the Bankruptcy Code, and intends to file the Plan with the United States Bankruptcy Court for the Northern District of Illinois (the "Bankruptcy Court") on or around October 28, 2005, upon completion of the solicitation process, thereby commencing the Chapter 11 proceedings.

accordance with approved budgets to assure that operations continue on an uninterrupted basis during the Restructuring. As with the existing credit facility, all of Parent's wholly owned subsidiaries, including McLeodUSA, will act as guarantors and pledge all or substantially all of their assets to secure the DIP credit facility. This credit facility and the associated security interests will be refinanced with the proceeds of the exit facility described elsewhere in this application upon consummation of the Restructuring.

The "pre-packaged" Plan will enable McLeodUSA to continue current operations without interruption or any change in the rates, terms or conditions of the services that its customers currently receive. The consensual Plan will protect unsecured creditors and enable the Parties to emerge from Chapter 11 as soon as possible. Following emergence, the Applicants will file consummation notice with the Commission.

B. Request for Expedited Consideration

Given the consensual nature of the Plan, the Chapter 11 proceedings will take place on a very expedited basis. The Parties anticipate that they will commence these cases on or about October 28, 2005, and, as noted above, that the Bankruptcy Court will consider final approval of the Plan no later than November 28, 2005. Accordingly, it is important that the Applicants obtain the necessary regulatory approval for the Restructuring prior to, but no later than, November 28, 2005.

C. Joint Application is Eligible for Streamlined Processing

Applicants respectfully submit that this Application is eligible for streamlined processing pursuant to Sections 63.03 and 63.12 of the Commission's Rules, 47 C.F.R. §§ 63.03 & 63.12. With respect to the domestic authority, this Application is eligible for streamlined processing pursuant to Section 63.03(b)(2)(i) because, immediately following the Restructuring: (1) Applicants and their affiliates (as defined in Section 3(1) of the Communications Act – "Affiliates") combined will hold less than a ten percent (10%) share of the interstate, interexchange market; (2) to the extent that Applicants or their Affiliates provide U.S. local exchange services or exchange access services, those services are provided only in geographic areas served by a dominant local exchange carrier that is not a party to the Restructuring; and (3) none of the Applicants or their Affiliates are dominant with respect to any U.S. domestic

telecommunications service. With respect to international authority, this Application is eligible for streamlined processing pursuant to Section 63.12(a)-(b) of the Commission's Rules, 47 C.F.R. § 63.12(a)-(b). In particular, Section 63.12(c)(1) is inapplicable because none of the Applicants is affiliated with any foreign telecommunications carriers, and none of the scenarios outlined in Section 63.12(c)(2)-(4) of the Commission's Rules applies.

In support of this Application, Applicants states as follows:

I. DESCRIPTION OF APPLICANTS

McLeodUSA is an Iowa corporation with principal offices located at McLeodUSA Technology Park, 6400 C Street, SW, Cedar Rapids, Iowa 52406-3177. McLeodUSA provides integrated communications services, including local services, primarily in 25 Midwest, Southwest, Northwest, and Rocky Mountain states. McLeodUSA is a wholly owned subsidiary of McLeodUSA Holdings, Inc. which, in turn, is a wholly owned subsidiary of Parent.

II. DESCRIPTION OF THE RESTRUCTURING

Applicants file this Application in connection a Restructuring whereby McLeodUSA-DIP will emerge from bankruptcy. Also as noted above, the proposed Restructuring is purely financial in nature, and will not alter the terms, conditions or services offered by McLeodUSA. Pursuant to the consensual Plan, certain secured creditors will become the shareholders of Parent, and existing equity will be extinguished.² Direct ownership of McLeodUSA will not change.

Although the precise equity ownership of Parent will not be known until the Company emerges, the new shareholders will be major institutional investment companies, and Applicants do not expect that any single entity or group of entities will hold 50% or more of the stock of the

Parent and, thereby, no entity will hold more than a 50% indirect share of McLeodUSA. Specifically, the following entities will be the five largest equity holders in Parent and therefore are anticipated to be the five largest indirect owners of McLeodUSA following the Restructuring:

Fidelity Investments (approximately 31%)
Wayzata Investment Partners LLC (approximately 15%)
Credit Suisse First Boston, Zurich (approximately 6%)
Odyssey Credit Investors (approximately 6%)
Secondary Loan & Distressed Credit Trading (approximately 5%)

McLeodUSA currently guarantees, and has pledged all or substantially all of its assets, to secure Parent's obligations under its existing credit facilities. As of September 1, 2005, obligations outstanding under the Senior Prepetition Credit Agreement totaled approximately \$100 million plus \$7.4 million in unfunded letters of credit. The obligations under the senior credit agreement will convert to "New Term Loan Notes" pursuant to the Plan. As of September 1, 2005, obligations outstanding under the Junior Prepetition Credit Agreement totaled approximately \$677.3 million plus accrued and unpaid interest. The obligations under the Junior Prepetition Credit Agreement will be converted into equity pursuant to the Plan. Thus, the total debt currently guaranteed by McLeodUSA's pledge of all or substantially all of its assets is, as of September 1, 2005, approximately \$785 million plus accrued and unpaid interest.

As part of the Restructuring, McLeodUSA will enter into a new post-bankruptcy "exit" credit facility which will provide for a secured, revolving credit facility in an amount not exceeding \$50 million, with a letter of credit sub facility in an amount not exceeding \$15 million. The exit facility credit agreement will also govern the New Term Loan Notes described above.

² Under the Plan, all equity interests in Parent will be extinguished, including the 58% majority share of the equity interest in Parent currently held by various partnerships and investment funds controlled or managed by Forstmann Little & Co.

The exit facility will provide the Parties with the financing necessary to provide liquidity for operational and working capital to allow them to emerge from the Restructuring as a financially stronger operation. After the Restructuring, the total debt guaranteed by McLeodUSA's pledge of all or substantially all of its assets will be approximately \$150 million plus accrued and unpaid interest.

McLeodUSA will pledge all or substantially all of its assets to secure Parent's obligations under the exit facility credit agreement. This pledge will replace the pledge that currently secures Parent's obligations under the Senior Prepetition Credit Agreement and Junior Prepetition Credit Agreement.

Following the Restructuring, McLeodUSA's customers will continue to receive service under the same rates, terms and conditions of service today. McLeodUSA will remain a wholly owned indirect subsidiary of Parent, will continue to operate and provide services to McLeodUSA's customers, and will retain the assets used in the provisions of those services. As a result, the Restructuring will be completely transparent to McLeodUSA's customers.

III. PUBLIC INTEREST CONSIDERATIONS

McLeodUSA respectfully submits that the proposed Restructuring serves the public interest. In particular, McLeodUSA submits that: (1) the Restructuring will increase competition in the United States telecommunications market by reinvigorating McLeodUSA as a viable competitor and (2) the Restructuring will preclude any disruption of service that might otherwise result from the Parties' financial condition.

The proposed financial Restructuring is expected to facilitate competition by improving the operational position of McLeodUSA and allowing McLeodUSA to expand its service offerings in the future. The consensual Plan will allow McLeodUSA to maintain its assets while

eliminating approximately \$750 million in debt. The Plan also strengthens McLeodUSA by converting debt secured by McLeodUSA's assets into equity interest in Parent. The company that emerges from Bankruptcy will be much stronger financially with significantly reduced debt. The reinvigoration of McLeodUSA as a viable competitor will thereby significantly enhance competitive choices for telecommunications consumers.

Moreover, given that the Restructuring will not directly affect McLeodUSA's rates, terms and conditions of services, the Restructuring will not negatively impact customers. Indeed, unlike a Chapter 11 reorganization in which a debtor's assets are being sold to a third party, the customers of McLeodUSA will continue to receive service from the same company under the same rates, terms, and conditions of service that those customers currently receive. The Restructuring will therefore be entirely transparent to customers of McLeodUSA. Moreover, pursuant to the Plan, no creditor, other than the secured creditors, will be affected by the Restructuring which will ensure uninterrupted operations of McLeodUSA.

IV. INFORMATION REQUIRED BY SECTION 63.24(e)

Pursuant to Section 63.24(e) of the Commission's Rules, the Applicants submit the following information requested in Section 63.18 (a)-(d) and (h)-(p) in support of this Application:

(a) Name, address and telephone number of each Applicant:

Transferor:

McLeodUSA Telecommunications Services, Inc., Debtor-in-Possession
McLeodUSA Technology Park,
6400 C Street, SW,
Cedar Rapids, Iowa 52406-3177
Telephone: (800) 593-1177

Transferee:

McLeodUSA Telecommunications Services, Inc.
McLeodUSA Technology Park,
6400 C Street, SW,
Cedar Rapids, Iowa 52406-3177
Telephone: (800) 593-1177

(b) Jurisdiction of Applicants:

McLeodUSA Telecommunications Services, Inc. is an Iowa corporation

(c) Correspondence concerning this Application should be sent to:

Jean L. Kiddoo
Brian McDermott
Swidler Berlin Shereff Friedman, LLP
3000 K Street, NW, Suite 300
Washington, DC 20007-5116
(202) 424-7500 (Tel)
(202) 424-7645 (Fax)
JLKiddoo@swidlaw.com (Email)
BMMcDermott@swidlaw.com (Email)

- (d)** McLeodUSA holds domestic and international Section 214 authority. McLeodUSA is authorized to provide international switched services on a resold basis pursuant to a Section 214 authorization granted by the Commission in File No. ITC-93-311.

- (h)** Upon completion of the Restructuring as set forth in the Plan, the following entities will directly or indirectly own ten percent (10%) or more of the equity/voting interest in McLeodUSA:

- 1) The following entities will own or control ten percent (10%) or more of the equity/voting interest in **McLeodUSA Telecommunications Services, Inc.:**

Name:	McLeodUSA Holdings, Inc.
Address:	McLeodUSA Technology Park, 6400 C Street, SW, Cedar Rapids, Iowa 52406-3177
Citizenship:	United States
Equity/Voting Interest:	100%
Principal Business:	Holding Company

- 2) The following entities hold a ten percent (10%) or greater equity/voting interest in **McLeodUSA Holdings, Inc.**

(i) Name: McLeodUSA Incorporated
Address: McLeodUSA Technology Park,
6400 C Street, SW,
Cedar Rapids, Iowa 52406-3177
Citizenship: United States
Equity/Voting Interest: 100%
Principal Business: Telecommunications

3) The following entities will own or control ten percent (10%) or greater equity/voting interest in **McLeodUSA Incorporated**

Name: Wayzata Investment Partners LLC
Address: 701 East Lake Street, Suite 300
Wayzata, MN 55391
Citizenship: United States
Approx. Equity/Voting Interest: 15.41%
Principal Business: Investment

The 11.9% interest to be held by **Wayzata Investment Partners LLC** are held under several individual investment funds, none of which will hold or control an indirect 10% or greater interest in **McLeodUSA**.

Name: Fidelity Investments
Address: 82 Devonshire Street, E31C
Boston, MA 02109
Citizenship: United States
Approx. Equity/Voting Interest: 31.25%
Principal Business: Investment

The 31.25% interest to be held by **Fidelity Investments** are held by several individual investment funds. **Fidelity Adv Ser II:Adv.High Income Advtg** will hold approximately a 16.38% indirect interest in **McLeodUSA**. No other investment funds will hold or control an indirect 10% or greater interest in **McLeodUSA**. No entity will own or control an interest in **Fidelity Adv Ser II:Adv.High Income Advtg** that will give them an indirect 10% or greater interest in **McLeodUSA**.

Ownership information in **McLeodUSA** prior to Plan, including all entities that hold a 10% or greater indirect interest in **McLeodUSA**, was disclosed to the Commission and approval in CC Docket No. 02-44. Attached as Exhibit B is a copy of the application containing the ownership information. No material changes to the indirect ownership interests in **McLeodUSA** have occurred since that approval.

- 4) Following the Restructuring, other than those entities described above, no other entity will hold a ten percent (10%) or more of the equity/voting interest in McLeodUSA:

Interlocking directorates:

McLeodUSA does not have any interlocking directorates with a foreign carrier.

- (i) Applicants certify that they are not foreign carriers, nor are they affiliated with a foreign carrier, nor will Applicants be affiliated with a foreign carrier as a result of the Restructuring.
- (j) Applicants certify that they do not seek to provide international telecommunications services to any destination country where:
 - (1) An Applicant is a foreign carrier in that country; or
 - (2) An Applicant controls a foreign carrier in that country; or
 - (3) Any entity that owns more than 25 percent of an Applicant, controls a foreign carrier in that country; or
 - (4) Two or more foreign carriers (or parties that control foreign carriers) own, in the aggregate more than 25 percent of the Applicants and are parties to, or the beneficiaries of, a contractual relation affecting the provision or marketing of international basic telecommunications services in the United States.
- (k) Not applicable.
- (l) Not applicable.
- (m) Not applicable.
- (n) Applicants certify that they have not agreed to accept special concessions directly or indirectly from any foreign carrier with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route and will not enter into such agreements in the future.
- (o) Applicants certify that they are not subject to denial of federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1998. *See* 21 U.S.C. § 853a. *See also* 47 C.F.R. §§ 1.2001-1.2003.
- (p) Applicants respectfully submit that this Application is eligible for streamlined processing pursuant to Section 63.12(a)-(b) of the Commission's Rules, 47 C.F.R. §63.12(a)-(b). In particular, Section 63.12(c)(1) is inapplicable because none of the Applicants are or are affiliated with any foreign carriers and none of the scenarios outlined in Section 63.12(c) of the Commission's Rules, 47 C.F.R. § 63.12(c), apply.

V. INFORMATION REQUIRED BY SECTION 63.04

In lieu of an attachment, pursuant to Commission Rule 63.04(b), 47 C.F.R. § 63.04(b) Applicants submit the following information in support of their request for domestic Section 214 authority in order to address the requirements set forth in Commission Rule 63.04(a)(6)-(12):

- (a)(6) A description of the proposed Restructuring is set forth in **Section II.** above.
- (a)(7) McLeodUSA provides local and/or long distance services in all states except for Alaska and Hawaii.

The proposed Restructuring will not cause the McLeodUSA to become affiliated with any provider of telecommunications services. Because the proposed Restructuring will not involve any other carrier, the Restructuring will have no adverse impact on the level of competition in the markets in which McLeodUSA operates.

- (a)(8) Applicants respectfully submit that this Application is eligible for streamlined processing pursuant to Sections 63.03 of the Commission's Rules, 47 C.F.R. §63.03. In particular, with respect to domestic authority, this Application is eligible for streamlined processing pursuant to Section 63.03(b)(2)(i) because: (1) the proposed Restructuring would result in Applicants and their affiliates (as defined in Section 3(1) of the Communications Act - "Affiliates") collectively holding less than a ten percent (10%) share of the interstate, interexchange market; (2) Applicants and their Affiliates will provide competitive local exchange service and exchange access services only in areas served by dominant local exchange carriers (none of which are parties to the proposed Restructuring) and; (3) none of the Applicants or their Affiliates are dominant with respect to any service.
- (a)(9) Through this Application, Applicants seek authority with respect to both international and domestic Section 214 authorizations (this Application is being separately and concurrently filed with respect to both types of authorities in compliance with Commission Rule 63.04(b), 47 C.F.R. § 63.04(b)). No other applications are being filed with the Commission with respect to this Restructuring.
- (a)(10) Prompt completion of the proposed Restructuring is critical to ensuring that Applicants can obtain the benefits described in the foregoing application. Accordingly, Applicants respectfully request that the Commission approve this Application expeditiously in order to allow Applicants to consummate the proposed Restructuring as soon as possible.
- (a)(11) Not applicable.

(a)(12) A statement showing how grant of the application will serve the public interest, convenience and necessity is provided in Section III. above.

VI. CONCLUSION

For the reasons stated above, Applicants respectfully submits that the public interest, convenience, and necessity would be furthered by a grant of this instant Application. Indeed, as shown above, a delay in the McLeodUSA-DIP's ability to emerge from Chapter 11 or failure to grant this Application would directly harm the public interest. In light of the exigent circumstances and, in particular, the need to ensure continuity of service to existing customers, Applicants respectfully request expedited approval no later than November 28, 2005 to permit the proposed Restructuring described herein to be consummated consistent with the completion as soon as possible consistent with expected timeline for emergence from bankruptcy.

Respectfully submitted,



Jean L. Kiddoo
Brian McDermott
SWIDLER BERLIN, LLP
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Washington, DC 20007-5116
(202) 424-7500 (Tel)
(202) 424-7645 (Fax)
JLKiddoo@swidlaw.com (Email)
BMMcDermott@swidlaw.com (Email)

Counsel for Applicants

Dated: October 20, 2005

EXHIBITS

Exhibit A

Organization Chart

Exhibit B

Docket No. 02-44 Application

Verification

Exhibit A

Organization Chart

Pre and Post Corporate Structure

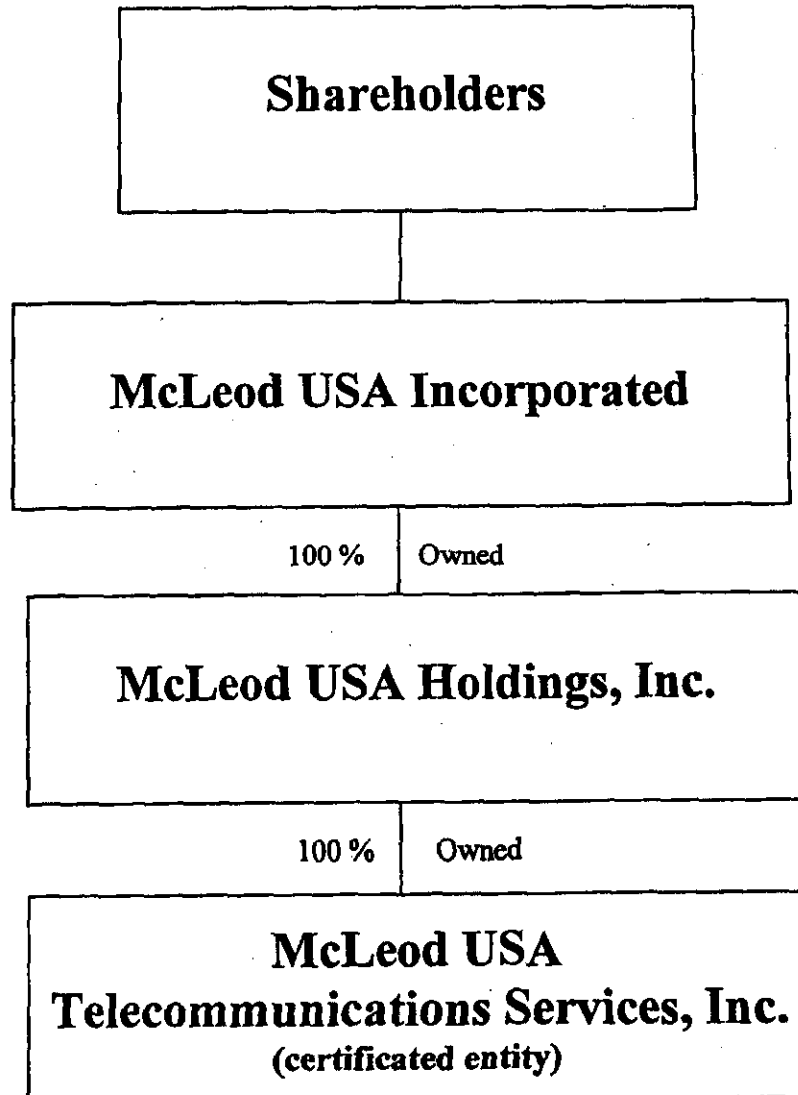


Exhibit B

Docket No. 02-44 Application

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

THE WASHINGTON HARBOUR
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
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(212) 973-9111 FAX (212) 491-9998

PLEASE DATE STAMP & RETURN

CCDKT. 02-44

February 22, 2002

VIA COURIER

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
P.O. Box 358145
Pittsburgh, PA 15251-5145

FEB 22 2002 PLEASE DATE STAMP & RETURN

Re: Application of McLeodUSA Incorporated for Authority to Transfer Indirect Control of
Blanket Domestic Section 214 Authorizations

Dear Ms. Salas:

On behalf of McLeodUSA Incorporated, please find an original and six (6) copies of an application for Commission approval to transfer indirect control of the blanket domestic Section 214 authority held by McLeodUSA Incorporated's operating companies. Concurrent with this application, McLeodUSA is also filing an application for Commission approval of the transfer of control of the international Section 214 authorizations held by McLeodUSA Incorporated's operating companies.

Enclosed, please find a check in the amount of \$815.00 to cover the Commission's filing fee. Please date-stamp the enclosed extra copy of this filing and return it in the envelope provided. Please direct any questions regarding this filing to the undersigned.

Respectfully submitted,



Richard M. Rindler
Edward S. Quill, Jr.

Counsel for Applicants

Enclosure

cc: David R. Conn (McLeodUSA)
Grace R. Chiu (SBSF)

3975148.1

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

McLEODUSA INCORPORATED

Application for Authority Pursuant to
Section 214 of the Communications Act of 1934,
As Amended, to Transfer Indirect Control
of Authorized U.S. Domestic Interstate
Carriers

File No. _____

APPLICATION

I. INTRODUCTION

McLeodUSA Incorporated ("Parent"), by and through undersigned counsel and pursuant to Section 214 of the Communications Act of 1934, as amended, 47 U.S.C. § 214 (1982) (the "Act"), and Section 63.01 of the Commission's Rules, 47 C.F.R. § 63.01 (2000), hereby requests authority for the indirect transfer of control of McLeodUSA Telecommunications Services, Inc. ("McLeodUSA"), CapRock Telecommunications Corp ("CapRock"), IWL Communications, Inc. d/b/a CapRock Services Corp. ("IWL,"), McLeodUSA Telecom Development, Inc. ("MTDI") and McLeodUSA Public Services, Inc. ("MPS," with McLeodUSA, CapRock, IWL and MTDI, the "McLeodUSA Operating Companies") with respect to the blanket domestic Section 214 authority held by those companies to five affiliated funds: Forstmann Little & Co. Equity Partnership-VII, L.P. ("Equiry-VII"), Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P. ("MBO-VIII"), Forstmann Little & Co.

Equity Partnership-V, L.P. ("Equity-V"), Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, L.P. ("MBO-VI"), and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VII, L.P. ("MBO-VII") (collectively "Forstmann Little," together with Parent and the McLeodUSA Operating Companies, "Applicants").

A. Summary of the Indirect Transfer of Control

The McLeodUSA Operating Companies are all indirect subsidiaries of McLeodUSA Incorporated ("Parent"). As described more fully below, Parent filed a pre-negotiated plan of reorganization (the "Reorganization Plan" or "Plan") in its chapter 11 bankruptcy proceeding as a key step in positioning Parent for the future through a restructuring of its capital structure.¹ As a result of the consummation of the Plan, Forstmann Little will acquire an approximate ownership interest of 57 percent in Parent and therefore, indirectly, in the McLeodUSA Operating Companies.

B. Request for Expedited Consideration

Applicants respectfully request expedited consideration of this Application in order for the McLeodUSA Operating Companies to realize certain financial benefits that are essential to their respective continued operations. Because Applicants need to consummate the transaction described herein on or about April 5, 2002, Applicants request that the Commission approve this Application on an expedited basis to allow Applicants to complete the proposed transaction as soon as possible. To that end, Applicants respectfully request that the Commission reduce the public notice period to fifteen (15) days.

¹ The Reorganization Plan is supported by Parent's Board of Directors, its senior secured lenders, Equity-V, MBO-VI, MBO-VII, the ad hoc committee of holders of Parent's unsecured notes, and certain of Parent's preferred shareholders.

In support of this Application, Applicants provide the following information:

II. THE PARTIES

A. McLeodUSA Incorporated - Transferor

McLeodUSA Incorporated ("Parent") is a publicly traded Delaware corporation whose principal place of business is located at McLeodUSA Technology Park, 6400 C Street, SW, Cedar Rapids, Iowa 52406-3177. McLeodUSA, CapRock, IWL, MTDI and MPS are all wholly-owned indirect subsidiaries of Parent.

B. Forstmann Little - Transferees

The partnerships of Forstmann Little are members of a family of affiliated private investment funds with principal address of 767 Fifth Avenue, New York, NY 10153. As noted above, Forstmann Little, for purposes of this Application is defined to include: Forstmann Little & Co. Equity Partnership-VII, L.P. ("Equity-VII"), Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P. ("MBO-VIII"), Forstmann Little & Co. Equity Partnership-V, L.P. ("Equity-V"), Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, L.P. ("MBO-VI"), and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VII, L.P. ("MBO-VII") (collectively "Forstmann Little").

C. McLeodUSA, CapRock, IWL, MTDI and MPS - Licensees

McLeodUSA is an Iowa corporation that provides integrated communications services, including interstate services, primarily in 25 Midwest, Southwest, Northwest and Rocky Mountain states. McLeodUSA's principal place of business is located at McLeodUSA Technology Park, 6400 C Street, SW, Cedar Rapids, Iowa 52406-3177. CapRock is a Texas corporation with principal offices located at 15601 Dallas Parkway, Suite 700, Addison, Texas

75001. IWL is a Texas corporation whose principal offices are located at 12000 Aerospace Avenue, Suite 200, Houston, Texas 77034. MTDI is a South Dakota corporation with a principal place of business located at 29705 453rd Ave., Irene, South Dakota 57307. MPS is an Illinois corporation with principal place of business located at 121 South 17th Street, Manton, Illinois 61938. McLeodUSA, CapRock, IWL, MTDI and MPS are all authorized to provide U.S. domestic interstate services.

III. DESCRIPTION OF THE TRANSACTION

As stated above, Parent has formulated a Reorganization Plan to restructure its capital structure. The Plan involves, among other things, an increase in the equity ownership held by Forstmann Little, as set forth below.

The Reorganization Plan proposes, upon consummation, that Forstmann Little will own approximately 57 per cent of the reorganized Parent's common stock. Forstmann Little and their affiliates have long been recognized as a preeminent acquirer and owner of businesses. Over its 23-year history, the firm has invested almost \$12 billion in the 29 acquisitions and investments it has made. Forstmann Little and their affiliates focus exclusively on acquiring high quality, high growth companies, investing substantial amounts of its own capital to provide for significant ongoing expansion.

The Reorganization Plan contemplates that Equity-V, MBO-VI and MBO-VII will convert their existing Series D and Series E Preferred Stock into common stock, representing approximately 35 per cent of the reorganized Parent's common stock, and that Equity-VII and MBO-VIII will purchase for approximately \$175 million approximately 23 per cent of the reorganized Parent's common stock and 5-year warrants to purchase an additional 6 per cent of common stock for \$30 million. Upon the consummation of these transactions, Forstmann Little

will own approximately 57 per cent of Parent's Common Stock. Applicants therefore seek approval of the indirect transfer of control of the McLeodUSA Operating Companies to Forstmann Little.² Attached hereto as Exhibit A is an illustrative chart depicting the corporate structure of Parent and the McLeodUSA Operating Companies prior to and immediately following consummation of the Reorganization Plan.

Applicants emphasize that the indirect transfer of control described herein will not involve a change in the names under which the McLeodUSA Operating Companies currently respectively operate nor any change in the manner in which the McLeodUSA Operating Companies currently offer domestic interstate service. Immediately following the recapitalization, the McLeodUSA Operating Companies will continue to offer the services they currently respectively offer with no change in the rates or terms and conditions of service. The McLeodUSA Operating Companies, moreover, will continue to be led by the same team of experienced telecommunications management. The indirect transfer of control of the McLeodUSA Operating Companies to Forstmann Little therefore will be seamless and transparent to the McLeodUSA Operating Companies' interstate customers, in terms of the services they receive.

² As stated above, the transactions described herein are subject to confirmation of the Reorganization Plan by the Bankruptcy Court.